

**CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM
STATEMENT OF ACCOUNTING POLICY**

**FOR
EQUITY REAL ESTATE - ACCOUNTING POLICY**

April 24, 1998

This Policy is effective immediately upon adoption and supersedes all previous real estate investment accounting policies.

I. PURPOSE

This document sets forth the accounting policy ("the Policy") for Equity Real Estate ("the Program"). The design of this Policy ensures that investors, managers, consultants, or other participants selected by the California Public Employees' Retirement System ("the System") take prudent and careful action while managing the Program. Additionally, use of this Policy provides assurance that there is sufficient flexibility in controlling investment risks and returns associated with this segment of the Program.

II. ACCOUNTING GOALS AND OBJECTIVES FOR EQUITY REAL ESTATE

The System shall regularly monitor its individual asset and portfolio investment performance against pro forma, industry benchmarks and adopted objectives. To achieve meaningful comparisons, the System shall require accurate and timely accounting information to use as a basis for measuring performance.

III. ACCOUNTING POLICY FOR EQUITY REAL ESTATE

Accounting procedures shall be based on the standards adopted by the National Council of Real Estate Investment Fiduciaries (NCREIF), as applicable. NCREIF bases its standards upon Generally Accepted Accounting Principles (GAAP) as promulgated in the United States, except where industry measurement standards dictate an alternative approach. Additionally, the System shall apply these accounting procedures uniformly across the entire fund, including real estate. Where NCREIF, GAAP, and the System's standards conflict, the System's standards shall prevail.

Financial information shall be obtained on a regularly scheduled basis from the various third-party investment managers who manage real estate investments on behalf of the System. Recognizing the importance of receiving consistent and uniform financial results, third-party investment managers shall take care to achieve reporting standardization, in

compliance with the System's other real estate policies and NCREIF standards, as applicable. Where significant differences exist between the manner in which financial information is provided to the System by third-party real estate investment managers and the System's reporting standards, such differences shall be disclosed.

Specific accounting requirements shall be maintained in the Real Estate Equity Managers and the System's Staff Accounting Procedures Manual. The System's Investment Accounting and Real Estate units shall strive for consistency with each other's policies and procedures. Changes to the requirements for investment advisors and the System's staff, as applicable, shall be communicated in writing to the System's Investment Committee and Independent Auditors.